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**Town of Benton
Benton, Louisiana
Financial Statement with Auditors' Report
As of and For the Year Ended December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-19-06

Town of Benton
Benton, Louisiana

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Town of Benton
Benton, Louisiana

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Independent Auditors' Report

Town of Benton
Benton, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Benton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2006 on our consideration of the Town of Benton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-10 and on page 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Benton has not presented a budgetary comparison schedule for the major special revenue fund - sales tax - streets, that accounting principles generally accepted in the United States of America, has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as whole. The accompanying financial information listed as supporting schedules in the table of contents and shown on pages 41 - 43 is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Benton. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
June 13, 2006

TOWN OF BENTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Benton's financial performance provides an overview of the Town of Benton's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Benton's net assets of our governmental activities increased by \$444,489 or 16%. The Town of Benton's net assets of our business-type activities increased \$326,116 or 7%.
- In the Town's governmental activities, total general and program revenues were \$1,439,966 in 2005 compared to \$1,249,658 in 2004. Total expenses, excluding depreciation, totaled \$921,275 for the year ended December 31, 2005, compared to total expenses, excluding depreciation, totaled \$826,304 for the year ended December 31, 2004.
- In the Town's business-type activities, revenues increased by \$195,959, while expenses increased by \$75,462.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Benton as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Benton's operations in more detail than the government-wide statements by providing information about the Town of Benton's most significant funds.

Reporting the Town of Benton as a Whole

Our analysis of the Town of Benton as a whole begins on page 11. One of the most important questions asked about the Town of Benton's finances is "Is the Town of Benton as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Town of Benton as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Benton's *net assets* and changes in them. You can think of the Town of Benton's net assets – the difference between assets and liabilities – as one way to measure the Town of Benton's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Benton's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider

other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Benton begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Benton – not the Town of Benton as a whole. The Town of Benton's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Benton's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Benton's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Benton expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN OF BENTON AS A WHOLE

The Town of Benton's combined net assets changed from a year ago, increasing from \$7,696,445 to \$8,467,050. A comparative analysis of the funds maintained by the Town of Benton is presented below.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$2,414,808	\$2,015,268	\$3,322,157	\$2,923,231	\$5,736,965	\$ 4,938,499
Capital assets	<u>1,066,441</u>	<u>1,058,957</u>	<u>2,868,620</u>	<u>2,989,705</u>	<u>3,935,061</u>	<u>4,048,662</u>
Total assets	<u>3,481,249</u>	<u>3,074,225</u>	<u>6,190,777</u>	<u>5,912,936</u>	<u>9,672,026</u>	<u>8,987,161</u>
Current liabilities	27,825	27,146	213,282	231,557	241,107	258,703
Long-term liabilities	<u>233,869</u>	<u>272,013</u>	<u>730,000</u>	<u>760,000</u>	<u>963,869</u>	<u>1,032,013</u>
Total liabilities	<u>261,694</u>	<u>299,159</u>	<u>943,282</u>	<u>991,557</u>	<u>1,204,976</u>	<u>1,290,716</u>
Net assets:						
Investments in capital assets, net of related debt	844,441	796,957	2,108,620	2,204,705	2,953,061	3,001,662
Restricted	1,188,262	908,873	579,553	1,249,914	1,767,815	2,158,787
Unrestricted	<u>1,186,852</u>	<u>1,069,236</u>	<u>2,559,322</u>	<u>1,466,760</u>	<u>3,746,174</u>	<u>2,535,996</u>
Total net assets	<u>\$3,219,555</u>	<u>\$2,775,066</u>	<u>\$5,247,495</u>	<u>\$4,921,379</u>	<u>\$8,467,050</u>	<u>\$ 7,696,445</u>

Net assets of the Town of Benton's governmental activities increased by \$444,489 or 16%. Net assets of the Town of Benton's business-type activities increased by \$326,116 or 7%.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenues						
Charges for services	\$ 335,174	\$ 319,816	\$1,253,922	\$1,080,411	\$1,589,096	\$ 1,400,227
Grants	36,698	—	—	—	36,698	—
General revenues						
Ad valorem taxes	80,685	62,669	—	—	80,685	62,669
Sales taxes	612,156	544,285	153,038	136,071	765,194	680,356
Franchise taxes	43,897	39,532	—	—	43,897	39,532
Gaming taxes	280,249	218,953	—	—	280,249	218,953
Investment earnings	9,481	5,749	14,362	8,881	23,843	14,630
Miscellaneous	41,626	58,654	—	—	41,626	58,654
Total revenues	<u>1,439,966</u>	<u>1,249,658</u>	<u>1,421,322</u>	<u>1,225,363</u>	<u>2,861,288</u>	<u>2,475,021</u>
Expenses						
General government	353,919	458,367	—	—	353,919	458,367
Public safety	512,951	380,785	—	—	512,951	380,785
Public works	110,980	34,909	—	—	110,980	34,909
Parks and recreation	8,275	—	—	—	8,275	—
Interest on						
long-term debt	9,352	11,748	—	—	9,352	11,748
Water, sewer, and						
sanitation	—	—	1,095,206	1,019,744	1,095,206	1,019,744
Total expenses	<u>995,477</u>	<u>885,809</u>	<u>1,095,206</u>	<u>1,019,744</u>	<u>2,090,683</u>	<u>1,905,553</u>
Increases in net assets	<u>\$ 444,489</u>	<u>\$ 363,849</u>	<u>\$ 326,116</u>	<u>\$ 205,619</u>	<u>\$ 770,605</u>	<u>\$ 569,468</u>

The Town's total revenues increased by 16% (\$386,267). The total cost of all programs and services increased 17% (\$185,130). Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$190,308 from total revenues in the year ended December 31, 2004 of \$1,249,658 to total revenues of \$1,439,966 in the year ended December 31, 2005. The primary reason for this increase was an increase in gaming taxes and sales taxes.

The cost of all governmental activities this year was \$995,477. These costs were covered by \$371,872 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$195,959 (16%) from total revenues in the year ended December 31, 2004 of \$1,225,363 to total revenues of \$1,421,322 in the year ended December 31, 2005.

The cost of all business-type activities this year was \$1,095,206. These costs were covered by \$1,253,922 of program revenues, consisting of charges for services assessed to users.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$2,369,332, which is higher than last year's fund balance of \$1,971,855.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended December 31, 2005. There were no amendments to the budget during the year. The Town's budgetary comparison is presented as required supplementary information and shown on page 40. Highlights for the year are as follows:

- Sales taxes were approximately \$104,000 more than the Town's budgeted amounts.
- Gaming taxes were approximately \$105,000 more than the Town's budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2005, the Town of Benton had invested \$3,935,061 in capital assets. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 313,775	\$ 298,775	\$ 29,500	\$ 29,500	\$ 343,275	\$ 328,275
Buildings	467,731	472,902	—	—	467,731	472,902
Infrastructure	78,717	80,746	—	—	78,717	80,746
Furniture, equipment, and vehicles	206,218	206,534	23,792	39,173	230,010	245,707
Sewer system and equipment	—	—	1,850,907	1,906,008	1,850,907	1,906,008
Water system	—	—	964,421	1,015,024	964,421	1,015,024
Total assets	<u>\$1,066,441</u>	<u>\$1,058,957</u>	<u>\$2,868,620</u>	<u>\$2,989,705</u>	<u>\$3,935,061</u>	<u>\$4,048,662</u>

This year's major additions included:

Sports complex	\$ 17,358
Vehicles (2)	49,328
Land	15,000
Total	<u>\$ 81,686</u>

More detailed information about the capital assets are presented in Note 6 to the financial statements.

Debt

At year-end, the Town had \$982,000 in bonds and notes outstanding, versus \$1,047,000 last year – a decrease of 6%.

Table 4
Outstanding Debt At Year End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 222,000	\$ 262,000	\$ –	\$ –	\$ 222,000	\$ 262,000
Sales tax revenue bonds	–	–	320,000	335,000	320,000	\$ 335,000
Utilities revenue bonds	–	–	440,000	450,000	440,000	450,000
Totals	<u>\$ 222,000</u>	<u>\$ 262,000</u>	<u>\$ 760,000</u>	<u>\$ 785,000</u>	<u>\$ 982,000</u>	<u>\$1,047,000</u>

State law restricts the amount of debt that the Town of Benton may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Benton's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Benton's management considered many factors when setting a fiscal year December 31, 2006 budget. Amounts available for appropriation in the governmental funds are expected to increase due to an increase in sales tax and gaming tax revenues.

Expenditures for 2006 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Benton and to show the Town of Benton's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 336, Benton, LA 71006.

Town of Benton
Benton, Louisiana
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,056,439	\$ 2,132,908	\$ 4,189,347
Investments	175,038	356,498	531,536
Receivables	165,680	122,663	288,343
Prepaid expenses	17,651	6,226	23,877
Restricted assets:			
Cash and cash equivalents		703,862	703,862
Capital assets, net	1,066,441	2,868,620	3,935,061
Total assets	<u>3,481,249</u>	<u>6,190,777</u>	<u>9,672,026</u>
Liabilities			
Accounts payable and accrued expenses	27,825	47,298	75,123
Payable from restricted assets:			
Revenue bonds - due within one year		30,000	30,000
Accrued interest		11,675	11,675
Customer deposits		124,309	124,309
Non-current liabilities:			
Due within one year	51,869		51,869
Due in more than one year	182,000	730,000	912,000
Total liabilities	<u>261,694</u>	<u>943,282</u>	<u>1,204,976</u>
Net Assets			
Invested in capital assets, net of related debt	844,441	2,108,620	2,953,061
Restricted for:			
Debt Service	53,528	579,553	633,081
Capital projects	32,740		32,740
Public Works	1,030,754		1,030,754
Other purposes	71,240		71,240
Unrestricted	1,186,852	2,559,322	3,746,174
Total net assets	<u>\$ 3,219,555</u>	<u>\$ 5,247,495</u>	<u>\$ 8,467,050</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Activities
For the Year Ended December 31, 2005

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs:					
Governmental Activities					
General government	\$ 353,919	\$ 189,812	\$ (164,107)	\$	\$ (164,107)
Public safety	512,951	145,362	(350,891)		(350,891)
Public works	110,980	20,000	(90,980)		(90,980)
Parks and recreation	8,275		(8,275)		(8,275)
Interest on long-term debt	9,352		(9,352)		(9,352)
Total governmental activities	995,477	36,698	(623,605)		(623,605)
Business-type Activities					
Water, sewer, and sanitation	1,095,206	1,253,922		158,716	158,716
Total business-type activities	1,095,206	1,253,922		158,716	158,716
Total Government	\$ 2,090,683	\$ 1,589,096	\$ (623,605)	\$ 158,716	\$ (464,889)
General revenues:					
Ad valorem taxes			80,685		80,685
Sales taxes			612,156	153,038	765,194
Franchise taxes			43,897		43,897
Gaming taxes			280,249		280,249
Investment earnings			9,481	14,362	23,843
Miscellaneous			41,626		41,626
Total general revenues			1,068,094	167,400	1,235,494
Change in net assets			444,489	326,116	770,605
Net assets - beginning			2,775,066	4,921,379	7,696,445
Net assets - ending			\$ 3,219,555	\$ 5,247,495	\$ 8,467,050

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2005

	General	Sales Tax - Streets	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 937,383	\$ 972,460	\$ 146,596	\$ 2,056,439
Investments	164,146		10,892	175,038
Receivables	107,366	58,294	20	165,680
Total assets	<u>\$ 1,208,895</u>	<u>\$ 1,030,754</u>	<u>\$ 157,508</u>	<u>\$ 2,397,157</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,825	\$	\$	\$ 27,825
Total liabilities	<u>27,825</u>			<u>27,825</u>
Fund balances:				
Reserved - debt service			53,528	53,528
Unreserved	1,181,070	1,030,754		2,211,824
Unreserved, reported in nonmajor:				
Special revenue fund			71,240	71,240
Capital projects fund			32,740	32,740
Total fund balances	<u>1,181,070</u>	<u>1,030,754</u>	<u>157,508</u>	<u>2,369,332</u>
Total liabilities and fund balances	<u>\$ 1,208,895</u>	<u>\$ 1,030,754</u>	<u>\$ 157,508</u>	<u>\$ 2,397,157</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Fund balances - total governmental funds	\$ 2,369,332
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,066,441
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	17,651
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(233,869)</u>
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Net assets of governmental activities	<u>\$ 3,219,555</u>
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The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Sales Tax - Streets	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 80,685	\$	\$	\$ 80,685
Sales tax	306,078	306,078		612,156
Franchise taxes	43,897			43,897
Gaming taxes	280,249			280,249
Intergovernmental - grants	16,698	20,000		36,698
Licenses and permits	189,812			189,812
Fines and forfeitures	145,362			145,362
Investment earnings	5,856	2,701	924	9,481
Miscellaneous	41,088		538	41,626
Total revenues	<u>1,109,725</u>	<u>328,779</u>	<u>1,462</u>	<u>1,439,966</u>
Expenditures:				
Current:				
General government	277,745		1,500	279,245
Public safety	512,951			512,951
Public works	110,980			110,980
Parks and recreation	8,275			8,275
Capital outlay	81,686			81,686
Debt service:				
Principal retirement			40,000	40,000
Interest and other charges			9,352	9,352
Total expenditures	<u>991,637</u>		<u>50,852</u>	<u>1,042,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118,088</u>	<u>328,779</u>	<u>(49,390)</u>	<u>397,477</u>
Other financing sources (uses):				
Transfers in		37,045		37,045
Transfers out			(37,045)	(37,045)
Total other financing sources (uses)		<u>37,045</u>	<u>(37,045)</u>	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>118,088</u>	<u>365,824</u>	<u>(86,435)</u>	<u>397,477</u>
Fund balances at beginning of year	<u>1,062,982</u>	<u>664,930</u>	<u>243,943</u>	<u>1,971,855</u>
Fund balances at end of year	<u>\$ 1,181,070</u>	<u>\$ 1,030,754</u>	<u>\$ 157,508</u>	<u>\$ 2,369,332</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$ 397,477
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$81,686) exceeded depreciation (\$74,202) in the current period.	7,484
--	-------

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	1,384
--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(1,856)
--	---------

The repayment of principal of long-term debt consumes current financial resources of governmental funds.	<u>40,000</u>
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Change in net assets of governmental activities	<u><u>\$ 444,489</u></u>
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The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Balance Sheet
Proprietary Funds
December 31, 2005

	Business-Type Activities- Enterprise Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,132,908
Investments	356,498
Receivables	122,663
Prepaid expenses	6,226
Total current assets	<u>2,618,295</u>
Noncurrent assets:	
Restricted cash and cash equivalents	703,862
Capital assets:	
Land	29,500
Plant and equipment	4,481,319
Less: accumulated depreciation	(1,642,199)
Total noncurrent assets	<u>3,572,482</u>
Total assets	<u><u>\$ 6,190,777</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 47,298
Payable from restricted assets:	
Revenue bonds	30,000
Accrued interest	11,675
Total current liabilities	<u>88,973</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Customer deposits	124,309
Revenue bonds	730,000
Total noncurrent liabilities	<u>854,309</u>
Total liabilities	<u>943,282</u>
Net assets	
Invested in capital assets, net of related debt	2,108,620
Restricted for debt service	579,553
Unrestricted	2,559,322
Total net assets	<u>5,247,495</u>
Total liabilities and net assets	<u><u>\$ 6,190,777</u></u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Business-Type Activities- Enterprise Funds</u>
Operating revenues:	
Charges for service -	
Water sales	\$ 661,909
Sewerage service charges	347,689
Solid waste collection	116,462
Other charges and fees	127,862
Total operating revenues	<u>1,253,922</u>
Operating expenses:	
Salaries	238,561
Payroll taxes and benefits	78,671
Office expense	15,355
Insurance	6,061
Professional fees	10,622
Repairs and maintenance	79,308
Telephone	7,251
Utilities	34,112
Travel and training	2,102
Vehicle operations	18,800
Commerical hauling	94,156
Miscellaneous	5,927
Supplies	11,360
Water purchases	331,078
Depreciation	121,086
Total operating expenses	<u>1,054,450</u>
Operating income	<u>199,472</u>
Non-operating revenues (expenses):	
Interest income	14,362
Interest expense	(40,756)
Sales taxes	153,038
Total non-operating revenues	<u>126,644</u>
Change in net assets	326,116
Net assets - beginning of year	<u>4,921,379</u>
Net assets - end of year	<u>\$ 5,247,495</u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities- Enterprise Funds
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,250,493
Cash payments to suppliers for goods and services	(646,510)
Cash payments to employees for services	(317,232)
Other receipts (payments)	358
Net Cash From Operating Activities	<u>287,109</u>
Cash Flows From Non-Capital Financing Activities	
Sales Tax	<u>137,441</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(25,000)
Interest paid on capital debt	(40,756)
Net Cash (used in) Capital and Related Financing Activities	<u>(65,756)</u>
Cash Flow From Investing Activities	
Cash payments for purchase of investments	(3,864)
Interest income	14,362
Net Cash From Investing Activities	<u>10,498</u>
Net (increase) in cash and cash equivalents	369,292
Cash, Beginning of year	<u>2,467,478</u>
Cash, End of year	<u><u>\$ 2,836,770</u></u>
Reconciliation of Operating Income to Net Cash Provided	
By Operating Activities	
Operating income (loss)	199,472
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	121,086
Accounts receivable	(19,544)
Accounts payable	(27,234)
Accrued interest	(1,866)
Customer deposits	8,969
Prepaid expenses	6,226
Net Cash Flows From Operating Activities	<u><u>\$ 287,109</u></u>

The accompanying notes are an integral part of this statement.

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005

INTRODUCTION

The Town of Benton is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Benton's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Benton are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Benton is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Benton), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Benton are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14, as amended by GASB Statement No. 39, established criteria for determining which component units should be considered part of the Town of Benton for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

In addition, the GASB 39 states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

As required by generally accepted accounting principles, these financial statements present the Town of Benton and its component unit. The component unit included in the accompanying financial statements is blended with the Town's funds.

Blended Component Unit

Component units that are legally separate from the Town but are so intertwined with the Town that they are, in substance, the same as the Town are blended component units. For a component unit to be blended, the organization's board and the Town must be substantively the same, or the organization must provide services entirely or almost entirely to the Town. The following component unit is reported as part of the Town and blended with the appropriate Town funds:

Metropolitan Planning Commission

The Metropolitan Planning Commission is responsible for the orderly physical development of the Town and the surrounding planning area. The Commission makes recommendations to the Board of Aldermen and the Parish Police Jury. The Metropolitan Planning Commission consists of five members with two appointed by the Town of Benton, two appointed by the Bossier Parish Police Jury, and one member is elected by joint action of the governing authorities. Although the Commission is legally separate, the Town acts as its fiscal agent and has the ability to modify and approve its budget. Separate financial statements are not issued on the Commission since its revenues and expenditures have been historically included as part of the General Fund within the Town's financial statements. Since the Commission provides services almost entirely to the Town and due to the significance of the fiscal dependency relationship, it has been blended with the Town's financial statements.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

B. Basic Financial Statements – Government-Wide Statements

The Town of Benton's basic financial statements include both government-wide (reporting the funds maintained by the Town of Benton as a whole) and fund financial statements (reporting the Town of Benton's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's sales tax-streets fund, rehabilitation fund, debt service fund, capital projects fund, and general fund are classified as governmental activities. The Town's water, sewer, and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Benton's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Benton's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Benton as an entity and the change in the Town of Benton's net assets resulting from the current year's activities.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Benton are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Benton:

1. **Governmental Funds** – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Benton:
 - a. General fund is the general operating fund of the Town of Benton. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
 - c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
2. **Proprietary Funds** – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax – Streets Fund - accounts for the proceeds of sales taxes levied for debt service requirements and street and drainage improvements.

Enterprise Fund – accounts for the provision of water, sewer, and sanitation services of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. The budget for the General Fund was adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. The Town did not adopt budgets for the special revenue funds.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-54 years
Infrastructure	40 years
Furniture and equipment	5-20 years
Vehicles	5-20 years
Water and sewer systems	5-50 years

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Bossier Parish. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Sales Taxes

The General Fund and Special Revenue Fund accounts for the collection of a one cent sales and use tax each and the distribution of these taxes to other funds of the Town. Also, the enterprise fund accounts for a one-half cent sales and use tax dedicated for sewer system improvements and upkeep. For financial reporting purposes, sales taxes are recorded as revenue in the General, Special Revenue and Enterprise Funds net of collection expenses.

In 1989, the voters approved the issuance of public improvement bonds and rededicated the proceeds from the original one cent sales tax to pay any balance due to service the annual debt not covered by an additional one cent sales tax approved in conjunction with the bonds. Any remaining proceeds are used to pay general operating expenses of the Town.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

In 1989, an additional one cent sales tax was approved by the voters. This revenue, net of expenses incurred in collecting the tax, is to be used for scheduled monthly payments to the Debt Service Fund for debt service requirements. The remaining amount, if any, is to be used for street and drainage improvements.

In 1990, a half cent sales tax was approved by the voters for the purpose of paying for improvements to and the upkeep of the Sewer System within the Town.

In 1989 and effective January 1, 1990, the Town entered into an agreement with the City of Bossier City, Louisiana for the City of Bossier City, Louisiana to collect and distribute to the Town its two and one-half cent sales and use tax. The City of Bossier City, Louisiana charges 1% of the sales tax collected for these services.

K. Compensated Absences

The Town's policy allows annual leave based upon years of service. Employees must use all annual leave during the year in which it is earned or within the next three succeeding calendar months. Unused annual leave accumulated by an employee at the time of termination (not to exceed the amount of leave the employee can earn in one year) shall be paid in a lump sum with the employee's final pay.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

L. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

P. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(2) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	7.23	7.23	N/A
Streets	4.96	4.96	2015

(3) Cash and Cash Equivalents

At December 31, 2005, the Town has cash, cash equivalents, and investments (book balances) totaling \$5,424,745 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2005 (book balances) totaled \$4,893,209. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At December 31, 2005, the Town had investments totaling \$531,536 consisting of certificates of deposit with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$5,323,869 of the Town's bank balance were exposed to custodial credit risk as follows:

Uninsured and collateral held by the
pledging bank's trust department; not
in the Town's name:

Cash and cash equivalents	\$ 4,792,333
Certificates of deposit	<u>531,536</u>
	<u>\$ 5,323,869</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(4) Receivables

The following is a summary of receivables at December 31, 2005:

<u>Class of Receivable</u>	
Governmental activities –	
Property taxes	\$ 24,058
Sales taxes	116,587
Gaming taxes	24,464
Miscellaneous	<u>571</u>
	<u>\$ 165,680</u>
Business-type activities –	
Accounts receivable – water and sewer charges	\$ 92,998
Sales taxes	29,147
Miscellaneous	<u>518</u>
	<u>122,663</u>
Total	<u>\$ 288,343</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(5) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 2005:

	<u>Enterprise Fund</u>
Customer deposits	\$ 124,309
Contingency, reserve, and sinking funds – revenue bonds	<u>579,553</u>
	<u>\$ 703,862</u>

(6) Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Balance at 01/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/05</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 298,775	\$ 15,000	\$ –	\$ 313,775
Capital assets, being depreciated:				
Buildings	720,144	17,358	–	737,502
Infrastructure	81,160	–	–	81,160
Equipment	190,490	–	–	190,490
Vehicles	171,712	49,328	–	221,040
Total capital assets, being depreciated, at historical cost	<u>1,163,506</u>	<u>66,686</u>	<u>–</u>	<u>1,230,192</u>
Less accumulated depreciation:				
Buildings	(247,242)	(22,529)	–	(269,771)
Infrastructure	(414)	(2,029)	–	(2,443)
Equipment	(64,174)	(12,385)	–	(76,559)
Vehicles	(91,494)	(37,259)	–	(128,753)
Total accumulated depreciation	<u>(403,324)</u>	<u>(74,202)</u>	<u>–</u>	<u>(477,526)</u>
Total capital assets, being depreciated, net	<u>760,182</u>	<u>(7,516)</u>	<u>–</u>	<u>752,666</u>
Governmental activities capital assets, net	<u>\$ 1,058,957</u>	<u>\$ 7,484</u>	<u>\$ –</u>	<u>\$ 1,066,441</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

	Balance at 01/01/05	Additions	Deletions	Balance at 12/31/05
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 29,500	\$ -	\$ -	\$ 29,500
Capital assets, being depreciated				
Vehicles	105,294	-	-	105,294
Sewer system	1,899,774	-	-	1,899,774
Sewer equipment	791,094	-	-	791,094
Water equipment	1,650,803	-	-	1,650,803
Other equipment	34,353	-	-	34,353
Total capital assets, being depreciated, at historical cost	4,481,318	-	-	4,481,318
Less accumulated depreciation:				
Vehicles	(76,977)	(9,783)	-	(86,760)
Sewer system	(692,249)	(38,827)	-	(731,076)
Sewer equipment	(92,611)	(16,274)	-	(108,885)
Water equipment	(635,779)	(50,603)	-	(686,382)
Other equipment	(23,497)	(5,598)	-	(29,095)
Total accumulated depreciation	(1,521,113)	(121,085)	-	(1,642,198)
Total capital assets, being depreciated, net	2,960,205	(121,085)	-	2,839,120
Business-type activities capital assets, net	\$ 2,989,705	\$ (121,085)	\$ -	\$ 2,868,620

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Government	\$ 74,202	\$ -	\$ 74,202
Water, Sewer, and sanitation	-	121,085	121,085
Total	<u>\$ 74,202</u>	<u>\$ 121,085</u>	<u>\$ 195,287</u>

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2005, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 7,986	\$ 36,515	\$ 44,501
Payroll liabilities	19,839	10,783	30,622
Total	<u>\$ 27,825</u>	<u>\$ 47,298</u>	<u>\$ 75,123</u>

(8) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$124,309 at December 31, 2005.

(9) Interfund Transfers

Interfund transfers for the year ended December 31, 2005 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
Sales Tax - streets	\$ 37,045	\$ -
Non-major Governmental	-	37,045
	<u>\$ 37,045</u>	<u>\$ 37,045</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(10) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 262,000	\$ -	\$ (40,000)	\$ 222,000	\$ 40,000
Other long-term Liabilities – Compensated Absences	<u>10,523</u>	<u>4,913</u>	<u>-</u>	<u>15,436</u>	<u>15,436</u>
Total-Governmental Activities long-term liabilities	<u>\$ 272,523</u>	<u>\$ 4,913</u>	<u>\$ (40,000)</u>	237,436	55,436
Less amounts due within period of availability – Recorded in accounts payable				<u>(3,567)</u>	<u>(3,567)</u>
Total long-term liabilities – governmental activities - Government-wide statements				<u>\$ 233,869</u>	<u>\$ 51,869</u>

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Revenue bonds:					
Utilities revenue					
bonds	\$ 450,000	\$ -	\$ (10,000)	\$ 440,000	\$ 15,000
Sales tax revenue					
bonds	<u>335,000</u>	<u>-</u>	<u>(15,000)</u>	<u>320,000</u>	<u>15,000</u>
Total revenue bonds	<u>785,000</u>	<u>-</u>	<u>(25,000)</u>	<u>760,000</u>	<u>30,000</u>
 Other long-term					
Liabilities -					
Compensated					
Absences	<u>5,816</u>	<u>3,003</u>	<u>-</u>	<u>8,819</u>	<u>8,819</u>
 Total-Business-type					
Activities long-term					
liabilities	<u>\$ 790,816</u>	<u>\$ 3,003</u>	<u>\$ (25,000)</u>	<u>768,819</u>	<u>38,819</u>
 Less amounts due within period of availability - business-type					
Activities - recorded in accounts payable				<u>(8,819)</u>	<u>(8,819)</u>
 Total long-term liabilities -					
Government-wide statements				<u>\$ 760,000</u>	<u>\$ 30,000</u>
 General Obligation Bonds -					
\$332,000 dated 9/10/02; due in annual installments of					
\$33,000 - \$48,000 through July 1, 2010; interest at 0.1%					
to 5.0%. The debt redemption is paid from the Debt Service					
Fund.					<u>\$ 222,000</u>
 Sales Tax Revenue Bonds -					
\$410,000 dated 2/1/98. Due in annual installments					
of \$10,000 - \$35,000 through February 1, 2018;					
interest at 4.5% to 7%.					<u>\$ 320,000</u>
 Utilities Revenue Bonds -					
\$500,000 dated 10/1/99. Due in annual installments					
of \$10,000 - \$35,000 through October 1, 2024;					
interest at 5.15% to 8%.					<u>440,000</u>
Total revenue bonds				<u>\$ 760,000</u>	

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

At December 31, 2005, the Town has accumulated \$53,328 in debt services funds for future debt requirements. The annual requirements to amortize all bonds outstanding at December 31, 2004 for the General Obligation Bonds and for the Revenue Bonds is as follows:

Governmental Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 40,000	\$ 8,670
2007	42,000	7,570
2008	46,000	6,310
2009	46,000	4,470
2010	48,000	2,400
	<u>\$ 222,000</u>	<u>\$ 29,420</u>

Business-Type Activities – Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 30,000	\$ 41,086
2007	35,000	39,215
2008	35,000	37,335
2009	35,000	35,453
2010	35,000	33,750
2011–2015	225,000	137,765
2016–2020	230,000	74,703
2021–2024	135,000	22,985
	<u>\$ 760,000</u>	<u>\$ 422,292</u>

(11) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(12) Pension Plans

Municipal Employees Retirement System of Louisiana (System) Employees of the Town (except for police employees) are members of The Municipal Employees Retirement System of Louisiana. The System is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the Plan follows:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 9.50 percent effective July 1, 2005. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on results of the valuation for the prior fiscal year. The Town contributions to the System under Plan B for the years ending December 31, 2005, 2004, and 2003 were \$35,563, \$28,105, and \$19,114, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System of Louisiana (System) Police employees of the Town are members of Municipal Police Employee's Retirement System of Louisiana. This is a statewide retirement system. This system is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 15.25 percent for January through June, 2005, increasing to 21.50 percent effective July 1, 2005. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the years ending December 31, 2005, 2004, and 2003 were \$49,636, \$38,624, and \$20,135, respectively, equal to the required contributions for each year.

(13) Leases

The Town leases certain equipment under operating leases. Rental costs on the equipment were \$3,362 for the year ended December 31, 2005. There are no commitments under lease agreements having lease terms in excess of one year.

(Continued)

Town of Benton
Benton, Louisiana
Notes to Financial Statements
December 31, 2005
(Continued)

(14) Litigation

The Town is defendant in various legal actions most of which are adequately covered by insurance. Resolution of some cases could involve liability to the Town in excess of insurance limits if the courts find in favor of the plaintiffs. In the opinion of the Town's attorney, the Town's ultimate exposure is unknown at this time. It is the policy of the Town to pay uninsured judgements against the Town on a current basis from the excess of revenues over expenditures.

Town of Benton
Benton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 65,000	\$ 80,685	\$ 15,685
Sales tax	202,000	306,078	104,078
Franchise taxes	35,000	43,897	8,897
Gaming taxes	175,000	280,249	105,249
Intergovernmental - grants		16,698	16,698
Licenses and permits	228,200	189,812	(38,388)
Fines and forfeitures	158,000	145,362	(12,638)
Investment earnings	3,100	5,856	2,756
Miscellaneous	48,300	41,088	(7,212)
Total revenues	914,600	1,109,725	195,125
Expenditures:			
Current:			
General government	248,000	277,745	(29,745)
Public safety	585,625	512,951	72,674
Public works	247,960	110,980	136,980
Parks and recreation	19,000	8,275	10,725
Capital outlay	233,500	81,686	151,814
Total expenditures	1,334,085	991,637	342,448
Excess (deficiency) of revenues over expenditures	(419,485)	118,088	537,573
Other financing sources (uses):			
Transfers in	200,000		(200,000)
Transfers out			
Total other financing sources (uses)	200,000		(200,000)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(219,485)	118,088	337,573
Fund balances at beginning of year	800,000	1,062,982	262,982
Fund balances at end of year	\$ 580,515	\$ 1,181,070	\$ 600,555

Town of Benton
Benton, Louisiana
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Rehabilitation	Debt Service	Capital Projects	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 60,328	\$ 53,528	\$ 32,740	\$ 146,596
Investments	10,892			10,892
Receivables	20			20
Total assets	<u>\$ 71,240</u>	<u>\$ 53,528</u>	<u>\$ 32,740</u>	<u>\$ 157,508</u>
Liabilities and Fund Balances				
Fund balances:				
Reserved - debt service		53,528		53,528
Unreserved, reported in nonmajor:				
Special revenue fund	71,240			71,240
Capital projects fund			32,740	32,740
Total fund balances	<u>71,240</u>	<u>53,528</u>	<u>32,740</u>	<u>157,508</u>
Total liabilities and fund balances	<u>\$ 71,240</u>	<u>\$ 53,528</u>	<u>\$ 32,740</u>	<u>\$ 157,508</u>

Town of Benton
Benton, Louisiana
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Rehabilitation	Debt Service	Capital Projects	Total Other Governmental Funds
Revenues:				
Investment earnings	\$ 435	\$ 380	\$ 109	\$ 924
Other	538			538
Total revenues	<u>973</u>	<u>380</u>	<u>109</u>	<u>1,462</u>
Expenditures:				
Other			1,500	1,500
Debt service:				
Principal retirement		40,000		40,000
Interest and other charges		9,352		9,352
Total expenditures		<u>49,352</u>	<u>1,500</u>	<u>50,852</u>
Excess (deficiency) of revenues over expenditures	<u>973</u>	<u>(48,972)</u>	<u>(1,391)</u>	<u>(49,390)</u>
Other financing sources (uses):				
Transfers out		<u>(37,045)</u>		<u>(37,045)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	973	(86,017)	(1,391)	(86,435)
Fund balances at beginning of year	<u>70,267</u>	<u>139,545</u>	<u>34,131</u>	<u>243,943</u>
Fund balances at end of year	<u>\$ 71,240</u>	<u>\$ 53,528</u>	<u>\$ 32,740</u>	<u>\$ 157,508</u>

Town of Benton
Benton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2005

Mayor - Albert Doughty	\$ 22,200
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Aldermen:

Ronnie Jones	4,200
Linda Gates	4,200
Marcille Hollis	4,200
James Friday	4,200
Richard Jackson	4,200

	<u>\$ 43,200</u>
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COOK & MOREHART

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Town of Benton
Benton, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Benton, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Benton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Benton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item number 2005-1 and 2005-2.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish at the end.

Cook & Morehart
Certified Public Accountants
June 13, 2006

Town of Benton
Benton, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2005

There was one finding for the prior year audit for the year ended December 31, 2004. Current status is as follows:

Finding #2004-1 Budget

Description of Finding: The Town of Benton did not amend its budget in accordance with the Local Government Budget Act.

Current Status: No finding noted in current year audit as it relates to amending budgets.

There was one management letter comment for the prior year audit for the year ended December 31, 2004. Current status is as follows:

Comment #1: Restricted Cash Accounts

No comment in current year audit. The Town made the proper analysis of all restricted cash accounts.

Town of Benton
Benton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2005

There were two findings for the current year audit for the year ended December 31, 2005, as follows:

Finding #2005-1 Budget

Description of Finding:	The Town of Benton did not adopt budgets for the special revenue funds in accordance with the Louisiana Local Government Budget Act for the year ended December 31, 2005.
Corrective Action Planned:	In the future the special revenue funds will be budgeted and adopted in accordance with the Louisiana Local Government Budget Act.
Name of Contact Person:	Albert Doughty, Mayor

Finding #2005-2 Public Bid Law

Description of Finding:	The Town of Benton did not follow the provisions of the Public Bid Law in the purchase of two police cars. The Town should have obtained quotes in accordance with the Public Bid Law before purchasing the vehicles.
Corrective Action Planned:	In the future the Chief of Police will follow the provisions of the Public Bid Law to obtained quotes before purchasing vehicles.
Name of Contact Person:	Albert Doughty, Mayor

There were no management letter comments for the current year audit for the year ended December 31, 2005.